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EXTENDED MASS LAYOFFS IN THE SECOND QUARTER OF 2006

In the second quarter of 2006, employers took 1,213 mass layoff actions in the private, nonfarm sector that resulted in the separation of 251,341 workers from their jobs for at least 31 days, according to preliminary figures released by the U.S. Department of Labor's Bureau of Labor Statistics. The number of extended mass layoff actions and affected workers were both slightly higher than a year earlier. (See table A.) The over-the-year increases were most notable in food and beverage stores, food manufacturing, and general merchandise stores. In the second quarter of 2006, extended mass layoffs that involve the movement of work within the same company or to a different company, either domestically or outside the U.S., occurred in 9 percent of the nonseasonal layoff events and 13 percent of worker separations. (See table B.) Among employers who anticipated recalling laid-off workers, 50 percent expected to extend the offer to all laid-off workers, a smaller proportion than a year ago.

The completion of seasonal work accounted for 37 percent of all events and resulted in 125,688 separations during the period. Layoffs due to internal company restructuring (bankruptcy, business ownership change, financial difficulty, and reorganization) represented 15 percent of events and resulted in 42,289 separations, 17 percent of total separations. Permanent closure of worksites occurred in 11 percent of all events and affected 30,402 workers, with both figures higher than a year ago.

In the second quarter of 2006, the national unemployment rate was 4.6 percent, not seasonally adjusted; this was down from 5.0 percent in the second quarter 2005. Private nonfarm payroll employment, not seasonally adjusted, increased by 1.7 million, or 1.5 percent, from April-June 2005 to April-June 2006.

Industry Distribution of Extended Layoffs

Extended mass layoff separations occurred in 330 of the 1,105 detailed industries for which data are available for the second quarter of 2006. Manufacturing industries accounted for 21 percent of private nonfarm layoff events and 19 percent of separations during April-June 2006. (See table 1.) The number of separations in manufacturing (48,969) was higher than in the second quarter of 2005. In the second quarter of 2006, the highest number of separations in this sector were in food manufacturing (12,596), followed by transportation equipment manufacturing (11,985).

Transportation and warehousing accounted for 10 percent of private nonfarm layoff events and 12 percent of separations, primarily in school and employee bus transportation. Layoffs in the accommodation and food services sector made up 10 percent of events and 12 percent of separations, mostly in food services and drinking places. The professional and technical services sector comprised 4 percent of events and 11

Table A. Selected measures of extended mass layoff activity

Period	Layoff events	Separations	Initial claimants
2002			
January-March	1,611	299,266	292,998
April-June	1,624	344,606	299,598
July-September	1,186	255,152	254,955
October-December ..	1,916	373,307	370,592
2003			
January-March	1,502	286,947	297,608
April-June	1,799	368,273	348,966
July-September	1,190	236,333	227,909
October-December ...	1,690	325,333	326,328
2004			
January-March	1,339	276,503	238,392
April-June	1,358	278,831	254,063
July-September	886	164,608	148,575
October-December...	1,427	273,967	262,049
2005			
January-March	1,142	186,506	185,486
April-June ^r	1,203	246,099	212,673
July-September ^r	1,136	201,878	190,180
October-December ^r ..	1,400	250,178	246,169
2006			
January-March ^r	963	181,010	189,634
April-June ^p	1,213	251,341	184,543

^r = revised.

^p = preliminary.

percent of separations, mostly in tax preparation services. Cutbacks in arts, entertainment, and recreation accounted for 4 percent of events and 8 percent of separations and were concentrated in amusements, gambling, and recreation.

Information technology-producing industries (communications equipment, communications services, computer hardware, and software and computer services) accounted for 2 percent of layoff events and worker separations in the second quarter of 2006. In the second quarter of 2005, these industries accounted for 4 percent of layoff events and 3 percent of all separations. Layoffs in the information technology-producing industries in the second quarter of 2006 were most numerous in computer hardware, with 2,900 separations, followed by software and computer services. (See table 6.)

Reasons for Extended Layoff

Layoffs due to the completion of seasonal work accounted for 37 percent of the extended layoff events and resulted in 125,688 separations in the second quarter of 2006. (See table 2.) Seasonal layoffs were most numerous in professional and technical services (tax preparation services) and in transit and ground passenger transportation (school and employee bus transportation).

Table B. Extended mass layoff events and separations, selected measures, second quarter 2006^p

Action	Layoff events	Separations
Total private nonfarm	1,213	251,341
Total, excluding seasonal and vacation events ¹	686	112,108
Total events with movement of work ²	65	14,796
Movement of work actions	93	(³)
With separations reported	60	8,802
With separations unknown ...	33	(³)

¹ The questions on movement of work were not asked of employers when the reason for layoff was either seasonal work or vacation period.

² A layoff event can involve more than one movement of work action.

³ Data not available.

p = preliminary.

Internal company restructuring (due to bankruptcy, business ownership change, financial difficulty, and reorganization) accounted for 15 percent of layoff events and resulted in 42,289 separations. These layoffs were mostly among workers in transportation equipment manufacturing, credit intermediation and related activities, and food and beverage stores. Over half of both the internal company restructuring layoff events and separations were due to reorganization within the company. Layoffs due to reorganization were primarily in transportation equipment manufacturing, credit intermediation and related activities, and food manufacturing.

Movement of Work

In the second quarter of 2006, 65 extended mass layoff events involved the movement of work; this was about 9 percent of total extended mass layoff events, excluding those for seasonal and vacation reasons. (See table B.) These movements of work were to other U.S. locations or to locations outside of the U.S., and they occurred either within the same company or to other companies. The extended mass layoff events involving movement of work were associated with the separation of 14,796 workers, about 13 percent of all separations resulting from nonseasonal/nonvacation mass layoff events. A year earlier, 73 layoff events and 12,040 separations were associated with the movement of work. (See table 10.)

Among the 65 extended mass layoff events in the second quarter of 2006 with reported relocation of work, 68 percent were permanent closures of worksites, which affected 10,159 workers. In comparison, for the 1,213 total layoff events reported for the quarter, only 11 percent involved the permanent closure of the worksites.

Table C. Movement of work actions by type of separation where the number of separations is known by employers, second quarter 2006 ^p

Activities	Actions ¹	Separations
With separations reported	60	8,802
By location		
Out of country	20	2,367
Within company	18	2,246
Different company	2	121
Domestic relocations	40	6,435
Within company	34	5,743
Different company	6	692
By company		
Within company	52	7,989
Domestic	34	5,743
Out of country	18	2,246
Different company	8	813
Domestic	6	692
Out of country	2	121

¹ Only actions for which separations associated with the movement of work were reported are shown.

^p = preliminary.

Of the layoffs involving the movement of work, 66 percent of both the events and laid-off workers were from manufacturing industries during the second quarter of 2006. (See table 7.) Among all private nonfarm extended layoffs, manufacturing accounted for 21 percent of the events and 19 percent of the separations.

Internal company restructuring (bankruptcy, business ownership change, financial difficulty, and reorganization) accounted for 83 percent of layoff events associated with work relocation and resulted in 11,908 separations during the second quarter. (See table 8.) Most of these were due to reorganization within the company. In contrast, only 15 percent of the layoff events in the total private nonfarm economy were because of internal company restructuring.

Among the regions, the Midwest and the West accounted for the largest proportions of workers in extended mass layoffs associated with the movement of work, 33 and 32 percent, respectively. The South had 26 percent of such layoffs, and the Northeast had 9 percent.

Some extended mass layoff events involve more than one relocation of work action. For example, an extended mass layoff event at an establishment may involve job loss due to movement of work to both another domestic location of the company and a location out of the country. This would be counted as two movement of work actions. The 65 extended layoff events with movement of work for the second quarter of 2006 involved 93 identifiable relocations of work. (See table B.) An identifiable relocation of work

Table D. Summary of employer expectations of a recall from extended layoff, second quarter 2005—second quarter 2006

Nature of the recall	Percentage of events				
	II 2005	III 2005	IV 2005	I 2006 ^r	II 2006 ^p
Anticipate a recall	61.8	39.5	68.9	43.1	58.6
Timeframe					
Within 6 months	89.4	78.8	90.0	83.9	89.2
Within 3 months	59.5	57.9	37.1	55.2	60.5
Size					
At least half	92.9	80.2	92.6	88.0	92.8
All workers	51.1	43.2	50.5	38.1	49.5

r = revised.

p = preliminary.

occurs when the employer provides sufficient information on the new location of work and/or the number of workers affected by the movement. Of the 93 relocations, employers were able to provide information on the specific separations associated with the movement of work component of the layoff in 60 actions involving 8,802 workers, or 65 percent of the 93 actions for the second quarter of 2006. Thus, a range of 8,802 (separations in movement of work actions where the employer was able to provide specific detail) to 14,796 (total separations in all layoff events that included movement of work) is established for separations due to the movement of work in the second quarter. (See table 10.)

In the 60 actions where employers were able to provide more complete separations information, 87 percent of relocations (52 out of 60) occurred among establishments within the same company. (See table C.) In 65 percent of these relocations (34 out of 52), the work activities were reassigned to places elsewhere in the U.S.

Thirty-three percent of the movement-of-work relocations—both within the company and to other companies—involved out-of-country moves (20 out of 60). The separation of 2,367 workers was associated with out-of-country relocations, 2 percent of all nonseasonal/nonvacation extended mass layoff separations. Domestic relocation of work—both within the company and to other companies—affected 6,435 workers. (See table 11.)

Recall Expectations

Fifty-nine percent of employers reporting an extended layoff in the second quarter of 2006 indicated they anticipated some type of recall. This compares with 62 percent of the employers anticipating a recall a year earlier. (See table D.) Most employers not expecting a recall during the second quarter were from administrative and support services and specialty trade contracting.

Table E. Distribution of extended layoff events by size of layoff, April-June 2006^p

Size	Layoff events		Separations	
	Number	Percent	Number	Percent
Total.....	1,213	100.0	251,341	100.0
50-99.....	515	42.5	37,136	14.8
100-149.....	257	21.2	29,534	11.8
150-199.....	144	11.9	24,233	9.6
200-299.....	119	9.8	27,908	11.1
300-499.....	99	8.2	36,683	14.6
500-999.....	49	4.0	32,651	13.0
1,000 or more...	30	2.5	63,196	25.1

p = preliminary.

Among establishments expecting a recall, most employers expected to recall over one-half of the separated employees and to do so within 6 months. Fifty percent of the employers expected to extend the offer to all laid-off workers.

Excluding layoff events due to seasonal work and vacation period (in which 96 percent of the employers expected a recall), employers expected to recall laid-off workers in 29 percent of the events. A year earlier, 30 percent of employers expected a recall in nonseasonal and nonvacation events. In layoff events due to internal company restructuring, employers anticipated a recall in only 4 percent of the events.

Size of Extended Layoff

Layoff events during the second quarter continued to be concentrated at the lower end of the extended layoff-size spectrum, with 64 percent involving fewer than 150 workers. These events, however, accounted for only 27 percent of all separations. (See table E.) Separations involving 500 or more workers, while comprising 7 percent of the events, accounted for 38 percent of all separations, up from 36 percent in April-June 2005. The average size of layoffs (as measured by separations per layoff event) differed widely by industry, ranging from a low of 71 separations in hospitals to a high of 788 in amusements, gambling, and recreation.

Initial Claimant Characteristics

A total of 184,534 initial claimants for unemployment insurance were associated with extended mass layoffs in the second quarter of 2006. Of these claimants, 17 percent were black, 14 percent were Hispanic, 55 percent were women, 33 percent were 30 to 44 years of age, and 22 percent were 55 years of age or older. (See table 3.) Among persons in the civilian labor force for the same period, 11 percent were black, 14 percent were Hispanic, 46 percent were women, 34 percent were age 30 to 44, and 17 percent were 55 years of age or older.

Geographic Distribution

In the second quarter, the number of separations due to extended mass layoff events was highest in the West (83,452), followed by the Midwest (69,331), the Northeast (52,461), and the South (46,097). (See

Table F. Mass layoff events and separations, selected metropolitan areas

Metropolitan area	Events		Separations	
	II 2005 ^r	II 2006 ^p	II 2005 ^r	II 2006 ^p
Total, nonmetropolitan areas	158	154	28,749	28,678
Total, 367 metropolitan areas	650	651	108,706	103,144
Los Angeles-Long Beach-Santa Ana, Calif.	39	69	7,828	12,978
Chicago-Naperville-Joliet, Ill.-Ind.-Wis.	40	42	9,236	8,106
New York-Northern New Jersey-Long Island, N.Y.-N.J.-Pa.	62	61	11,708	7,506
Philadelphia-Camden-Wilmington, Pa.-N.J.-De.-Md.	27	23	2,958	4,008
San Jose-Sunnyvale-Santa Clara, Calif.	5	13	453	3,046
Miami-Fort Lauderdale-Miami Beach, Fla.	17	15	4,106	3,030
Salt Lake City, Utah.....	5	6	2,620	2,877
Detroit-Warren-Livonia, Mich.	26	28	3,065	2,835
Riverside-San Bernardino-Ontario, Calif.	7	12	2,139	2,550
San Francisco-Oakland-Fremont, Calif.	13	22	1,355	2,511

r = revised.

p = preliminary.

NOTE: The geographic boundaries of the metropolitan areas shown in this table are defined in Office of Management and Budget Bulletin 06-01, December 5, 2005.

table 4.) Separations in the West were mainly in the amusements, gambling, and recreation industry and in the professional and technical services industry.

The West region reported the only over-the-year increase (+20,953) in separations. The other three regions reported over-the-year decreases in separations, with the largest decrease occurring in the Midwest (-6,452), followed by the Northeast (-4,810) and the South (-4,449). Four of the nine geographic divisions reported over-the-year increases in laid-off workers, with the largest increases occurring in the Pacific (+26,949) and New England (+3,579) divisions. The Middle Atlantic division reported the largest decline in separations (-8,389), followed by the East North Central division (-7,575).

Among the 50 states and the District of Columbia, the largest number of worker separations occurred in California (51,740), followed by Illinois (23,798), Florida (21,520), and New Jersey (16,190). These four states accounted for 40 percent of total layoff events and 45 percent of separations during the second quarter of 2006. They were followed by Michigan (12,655), New York (12,617), Colorado (12,566), and Ohio (12,344). (See table 5.) After excluding the substantial impact of seasonal work, California reported the most laid-off workers (30,235), largely due to layoffs in computer and electronic product manufacturing and specialty trade contractors.

Over the year, California reported the greatest increase in workers laid off for all reasons during the second quarter (+25,877), followed by Connecticut (+3,055). The largest decreases occurred in New York (-5,978), Illinois (-4,192), and Indiana (-3,234).

Fifty-four percent of events and 41 percent of separations (103,144) occurred in metropolitan areas in the second quarter of 2006, compared with 54 percent of events and 44 percent of separations (108,706) during the second quarter of 2005. Among the 367 metropolitan areas, Los Angeles-Long Beach-Santa Ana, Calif., reported the highest number of separations, 12,978, in the second quarter of 2006. Next was Chicago-Naperville-Joliet, Ill.-Ind.-Wis., with 8,106 separations, and New York-Northern New Jersey-Long Island, N.Y.-N.J.-Pa., with 7,506 separations. (See table F.) Employers located in nonmetropolitan areas separated 28,678 workers in mass layoffs, down from 28,749 workers in the second quarter of 2005.

Note

The quarterly series on extended mass layoffs cover layoffs of at least 31-days duration that involve 50 or more individuals from a single establishment filing initial claims for unemployment insurance during a consecutive 5-week period. Approximately 30 days after a mass layoff is triggered at an establishment, the employer is contacted for additional information. Data for the second quarter are preliminary and subject to revision. This release also includes revised data for previous quarters. Data are not seasonally adjusted, but survey data suggest that there is a seasonal pattern to layoffs. Thus, comparisons between consecutive quarters should not be used as an indicator of trend.

For additional information about the program, see the Technical Note.

The report on Mass Layoffs in July 2006 is scheduled to be released on Wednesday, August 23, 2006.

Technical Note

The Mass Layoff Statistics (MLS) program is a federal-state program which identifies, describes, and tracks the effects of major job cutbacks, using data from each state's unemployment insurance database. Establishments which have at least 50 initial claims filed against them during a consecutive 5-week period are contacted by the state agency to determine whether these separations are of at least 31 days duration, and, if so, information is obtained on the total number of persons separated and the reasons for these separations. Establishments are identified according to industry classification and location, and unemployment insurance claimants are identified by such demographic factors as age, race, gender, ethnic group, and place of residence. The program yields information on an individual's entire spell of unemployment, to the point when regular unemployment insurance benefits are exhausted.

Definitions

Establishment. A unit at a single physical location at which predominantly one type of economic activity is conducted.

Extended layoff event. Fifty or more initial claims for unemployment insurance benefits from an establishment during a 5-week period, with at least 50 workers separated for more than 30 days.

Initial claimant. A person who files any notice of unemployment to initiate a request either for a determination of entitlement to and eligibility for compensation, or for a subsequent period of unemployment within a benefit year or period of eligibility.

Layoff. The separation of persons from an employer as part of a mass layoff event. (See below.) Such layoffs involve both persons subject to recall and those who are terminated by the establishment.

Mass layoff. Fifty or more initial claims for unemployment insurance benefits from an establishment beginning in a given month, regardless of duration.

Worksite closure. The complete closure of either multi-unit or single-unit establishments or the partial closure of a multi-unit establishment where entire worksites affected by layoffs are closed or planned to be closed.

Movement of work concepts and questions

Because of the employer interview component, the BLS decided to use the MLS program as a vehicle for collecting additional information on offshoring and outsourcing associated with job loss, by adding questions that address movement of work. The term "moving work" means that the company experiencing the layoff has reassigned work activities that were performed at a worksite by the company's employees (1) to another worksite within the company; (2) to another company under formal arrangements at the same worksite; or (3) to another company under formal arrangements at another

worksite. The type of work activities subject to movement can include accounting, customer service, cleaning, warehousing, etc.

"Overseas relocation" is the movement of work from within the U.S. to locations outside of the U.S. "Overseas relocation" can occur within the same company and involve movement of work to a different location of that company outside of the U.S., or to a different company altogether.

"Domestic relocation" is the movement of work to other locations inside the U.S., either within the same company or to a different company.

"Overseas relocation" and "domestic relocation" are no longer used in the same way as they were in earlier extended mass layoff news releases. Therefore, the data presented in this news release are not comparable to those that were presented in earlier news releases.

Questions on movement of work and location are asked for all identified layoff events when the reason for separation is other than "seasonal work" or "vacation period." Seasonal and vacation layoff events were excluded because movement of work appears unlikely.

Questions on movement of work are asked after the analyst verifies that a layoff in fact occurred and lasted more than 30 days, and obtained the total number of workers separated from jobs, the date the layoff began, and the economic reason for the layoff. If the reason for layoff is other than seasonal or vacation, the employer was asked the following:

(1) "Did this layoff include your company moving work from this location(s) to a different geographic location(s) within your company?"

(2) "Did this layoff include your company moving work that was performed in-house by your employees to a different company, through contractual arrangements?"

A "yes" response to either question is followed by:

"Is the location inside or outside of the U.S.?" and "How many of the layoffs were a result of this relocation?"

Layoff actions are classified as "overseas relocation" if the employer responds "yes" to questions 1 and/or 2, and indicates that the location(s) was outside of the U.S. Domestic relocation is determined if the employer responds "yes" to questions 1 and/or 2 and indicates that the location(s) was within the U.S.

After asking the movement of work questions, the employer interview continues and responses are obtained for questions on recall expectations and open/closed status of the worksite.

Reliability of the data

The identification of establishments and layoff events in the MLS program and associated characteristics of claimants is

based on administrative data on covered establishments and unemployment insurance claims, and, therefore, is not subject to issues associated with sampling error. Nonsampling errors such as typographical errors may occur but are not likely to be significant. While the MLS establishments and layoff events are not subject to sampling error, and all such employers are asked the employer interview questions, the employer responses are subject to nonsampling error. Nonsampling error can occur for many reasons, including the inability to obtain information for all respondents, inability or unwillingness of respondents to provide correct information, and errors made in the collection or processing of the data. For the second quarter

of 2006, outright refusal to participate in the employer interview accounted for 3.6 percent of all private nonfarm events. Although included in the total number of instances involving the movement of work, for the second quarter, employers in 33 relocations were unable to provide the number of separations specifically associated with the movement of work, 5 of which involved out-of-country moves.

Other information

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; TDD message referral phone: 1-800-877-8339.